Seattle City Light
Resource Acquisition Strategy

May 19, 2010

Robert W. Cromwell, Jr.

Power Contracts and Resource Acquisition Director

Forecasted Need

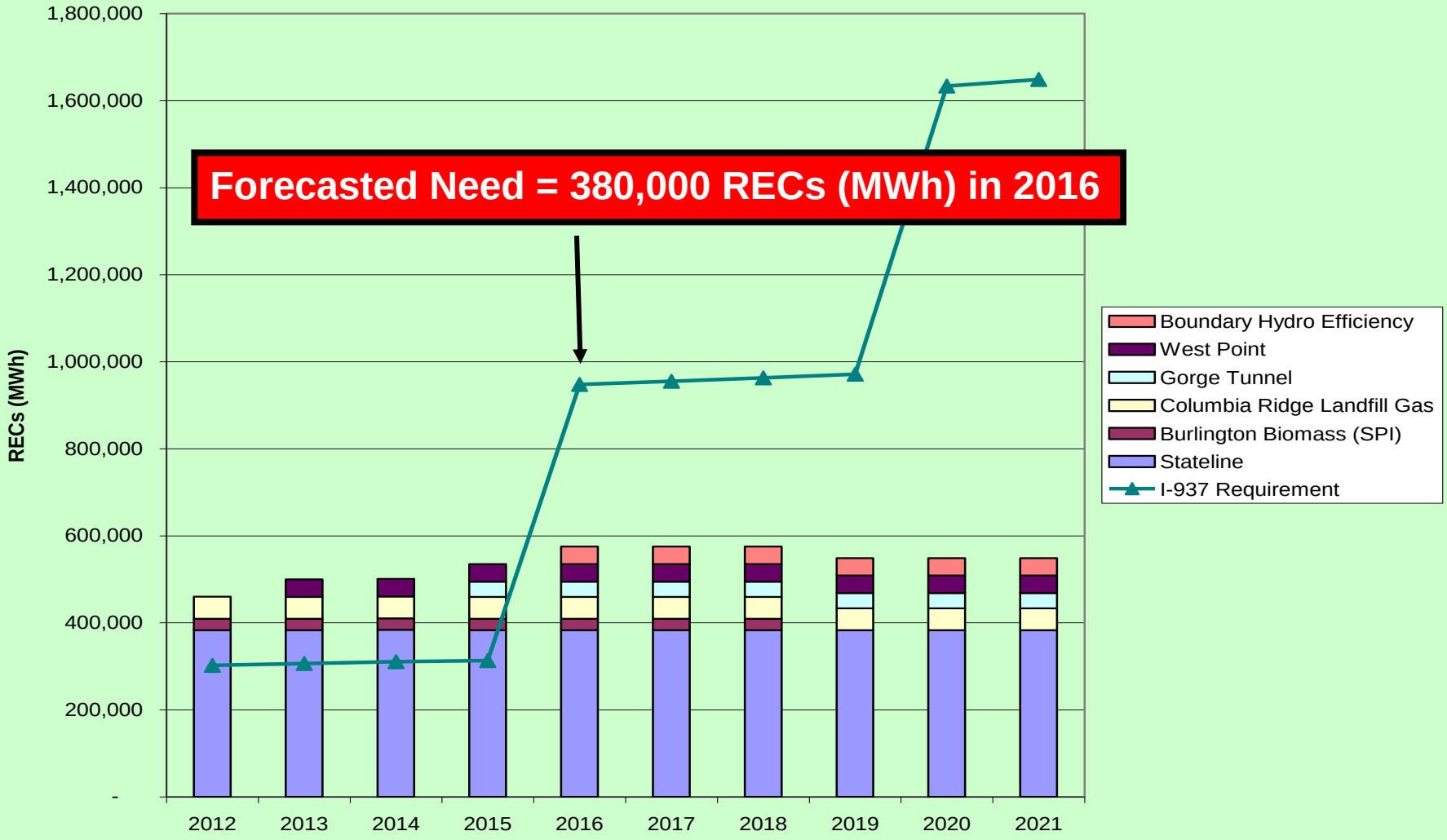
- City Light's Integrated Resource Plan forecasts load growth and identifies future resource needs
- Firm energy not required until after 2020
- Load forecast adjusted to recognize that City Light will acquire all cost effective conservation
- Near-term resource acquisition strategy (2011-2016) is driven by regulatory compliance, RCW 19.285 (I-937)

Resource Options

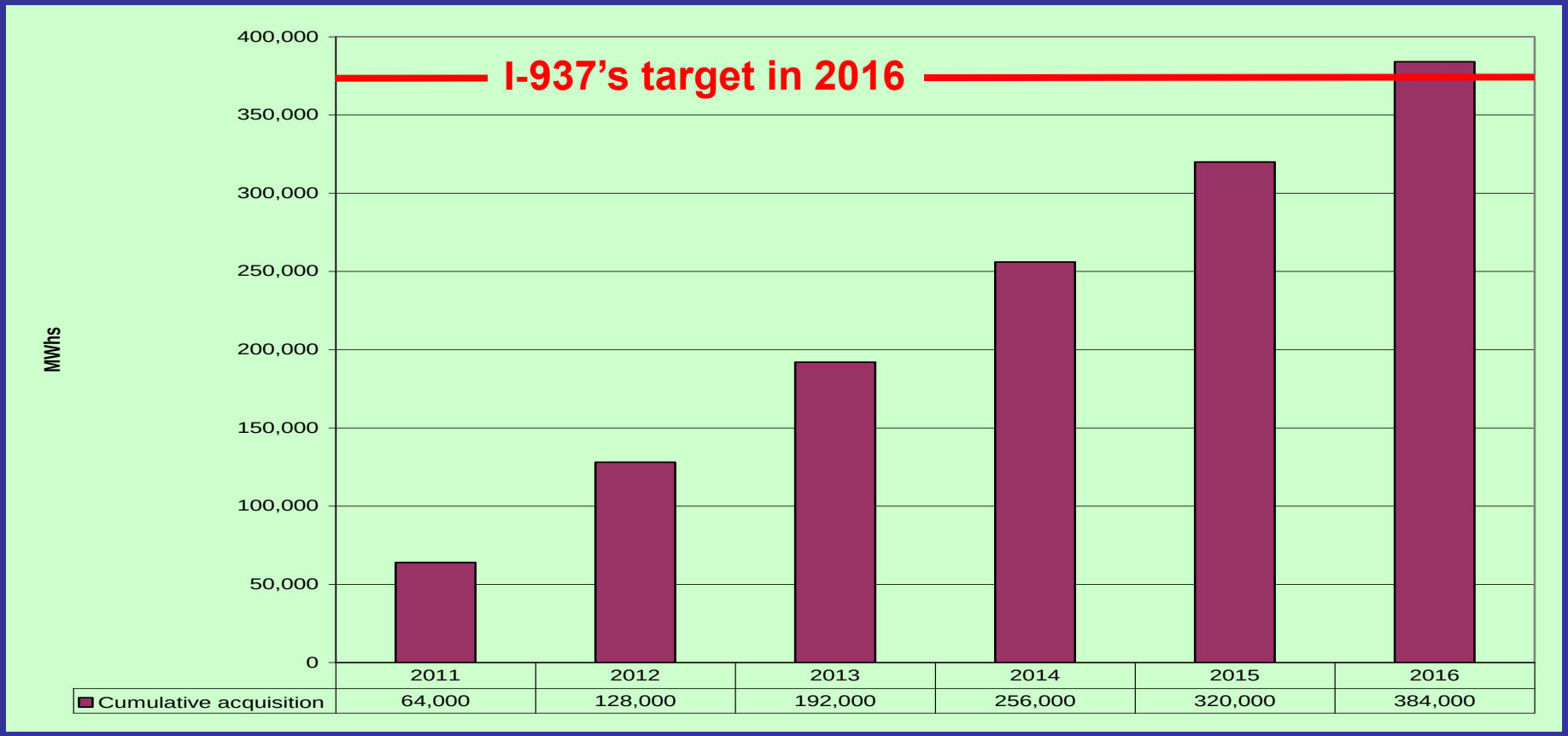
- Firm resources that meet I-937
- Renewable Energy Credits (RECs) “stripped” from the eligible renewable resource
- **Hybrid approach** that opportunistically acquires resources on a least-cost basis, recognizing a long-term (10 year+) need for firm energy

City Light assumes paying the $50/MWh penalty (2007$, increases with inflation) in I-937 is not an acceptable option

RECs: Required and Committed



Early “Stepped” Resource Acquisition Targets



	2011	2012	2013	2014	2015	2016
Cumulative acquisition	64,000	128,000	192,000	256,000	320,000	384,000

Goal – A bit more than “One Columbia Ridge per year” or 7.3 aMW

Policy Question – What is the best strategy?

- Just in Time Acquisition
  - No cost until 2016 target year, but resources may be unavailable and very expensive
- Early “Stepped” Acquisition – RECs and resources
  - Opportunistic and incremental
  - Lowest cost balance of risk versus certainty
- Aggressive Acquisition
  - Comply with 2016 target in 2012 - Lowest risk but most expensive

3 Options: Spending and Rates

	2011	2012	2013	2014	2015	2016
Just In Time Resource Acquisition						
Cumulative Resources (MWh)	-	-	-	-	-	372,657
New Resource Price ($/MWh)	$110	$115	$113	$115	$117	$120
Gross Spending New Resources ($M)	$0	$0	$0	$0	$0	$45
Net Spending ($M, assume average sale price)	$0	$0	$0	$0	$0	$23
Rate Implications	0.0%	0.0%	0.0%	0.0%	0.0%	*2.9%
Early "Stepped" Acquisition						
Cumulative Resources (MWh)	64,000	128,000	192,000	256,000	320,000	384,000
New Resource Price ($/MWh)	$110	$115	$113	$115	$117	$120
Gross Spending New Resources ($M)	$7	$15	$22	$29	$37	$46
Net Spending ($M, assume average sale price)	$4	$9	$11	$15	$19	$24
Rate Implications	0.7%	1.3%	1.5%	2.1%	2.5%	2.9%
Aggressive Acquisition						
Cumulative Resources (MWh)	180,000	384,000	559,000	734,000	909,000	1,084,000
New Resource Price ($/MWh)	$110	$115	$113	$115	$117	$120
Gross Spending New Resources ($M)	$19.8	$44.2	$63.0	$84.3	$106.2	$129.9
Net Spending ($M, assume average sale price)	$12.2	$26.9	$32.4	$43.3	$54.6	$67.0
Rate Implications	1.9%	3.9%	4.5%	6.0%	7.0%	8.3%

* Market power and tax credit status unknown - may result in greater rate increase.

Annual, “Stepped” acquisitions

- Balance risk and cost - limit rate increases to customers
- RECs are now more cost-effective, but may not always be available
- Recommended annual, minimal acquisition strategy will require annual budget support and timely ordinance authority

City Light will buy RECs when available, affordable and timed to meet our needs